



NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

REPORT ON THE FINANCIAL AUDIT 1999-2004

APPENDIX 5: CRUDE OIL SALES REPORT

Presented to

The National Stakeholder Working Group

by

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in association with

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Final Submission

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Information as at 30th June 2006

The report and all appendices relating to the report are intended for the use of the National Stakeholder Working Group of the NEITI for the purpose of that initiative and are not to be relied upon by other parties.

5.5 DOMESTIC CRUDE

5.5.1 Objective

We carried out Domestic Crude Oil Sales and Receipts validation in the NNPC-Crude Oil Marketing Department, Treasury, Finance and Accounts Departments and Central Bank of Nigeria.

The objective of the exercise (validation review) was to:

- Confirm volume of Domestic Crude Oil actually invoiced
- Confirm that Domestic Crude Oil supplied in the period under review was paid for and proceeds swept into the Federation Account

To enable us carry out the exercise, we requested and obtained the following documents:-

1. Domestic Crude lifting profile from NNPC – COMD from November 1998 – December 2004
2. Domestic Crude Oil templates from NNPC – COMD for same period
3. Schedule of Payments for Domestic Crude from NNPC – Treasury Department
4. Mandates to CBN for the transfer of money from NNPC Oil and Gas Naira Account. We obtained the mandates from NNPC – Finance and Accounts Department
5. Statements of Account for CBN/NNPC Oil and Gas where lodgements for proceeds of Domestic Crude are made before transfer to Federation Account
6. Federation Account Component statements for January 1999 – December 2004. This is a monthly analysis of what goes into the Federation Account and
7. Federation Account Statements for the period under review.

The validation work carried out covered the following:-

- a) Verified the volume of Domestic Crude in the template populated by NNPC – COMD against that in the lifting profiles in order to ensure that:
 - the pricing formula was adhered to
 - all expected payments were received and swept into the Federation Account
- b) confirmed that all payments as recorded in NNPC schedules were traced and agreed to both CBN/NNPC Crude Oil and Gas Naira Account values and Federation Account values
- c) Verified and agreed NNPC mandate values to Federation Account values
- d) Vouched the lifting profiles/template values to the NNPC Treasury Department schedule of payments and the Federation account on a 100% basis.
- e) Carried out casting analysis of some months to ensure arithmetical accuracy of the profiles, schedule of NNPC and the Federation Account Statements

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5.5.2 Domestic Crude Pricing 1999-2004

NNPC was supplied with Domestic Crude by the Government for the purpose of refining it and distributing the petroleum products derived therefrom for domestic consumption. With effect from 1999, the Federal Government of Nigeria set up monthly reconciliation meeting in order to determine actual Crude Oil lifting and amount payable. The members of the Committee are:

- i. Central Bank of Nigeria
- ii. Federal Ministry of Finance
- iii. Office of the Accountant General of the Federation
- iv. Directorate of Petroleum Resources
- v. National Economic Intelligence Committee
- vi. National Planning Commission
- vii. Revenue Mobilisation, Allocation and Fiscal Committee
- viii. Crude Oil Marketing Department of NNPC

NNPC is then expected to pay for the agreed Crude Oil lifted from proceeds realized from sale of petroleum products. Consequently, a template was developed as a forerunner to determine crude cost payable by NNPC. The template is set out below in section 5.2.4A

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5.2.4A NNPC PRODUCTION COST AND MARGIN

Cost Elements	Government Approved Naira/Litre 1/1/1997	Government Approved Naira/Litre 12/10/1998	Government Approved Naira/Litre 01/01/1999			Remarks
	PMS	PMS	PMS	AGO	DPK	
Crude Oil Cost	2.36	5.00	5.00	5.00	5.00	
Governement Tax						
Governement Take (1+2)						
Refining Cost						
Local cost of refining						
Foreign cost of refining						
Crude Oil Transportation Cost (1)						
Weighted cost of distribution						
Pipeline 97.15k/L						
Marine 17.40k/L						
Road (bridging) 30.45k/L						
Capital cost of Recovery (L)						
Historical (N2.40) 14k/L						
Replacement (N12b) 70k/L						
NNPC Overhead (L)						
Interest, Medical, Corp serv						
Insurance, Grants etc						
NNPC Margin						
Capital recovery						
TOTAL NNPC TAKE						
Marketers, Transporters, Dealers Margin						
Marketers bridging						
PUMP PRICE	11.00	25.00	20.00	19.00	17.00	

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The key elements of the pricing in the template in 1999 were

- Realisable price per barrel in 1999 was \$9.50
- The approved exchange rate for recording official Government transactions was N85/\$1 for 1999
- The technical equivalent of petroleum product per barrel of Crude Oil is 159 litres
- The combination and permutation of (i) to (iii) above translated to the N5.00 per litre rate for 1999

The allocated Domestic crude is always paid for by NNPC in accordance with the approved cost of crude at the exchange rates set by the Federal Government of Nigeria.

These parameters (price per barrel and exchange rate) have been very dynamic; changing with the prevailing Government Fiscal Policies as enshrined in the Decrees/Constitution of the Federal Republic of Nigeria.

From 2003, Domestic Crude cost and applicable exchange rates were approved in accordance with the ruling economic policies and in line with CBN guidelines by the President.

We sighted exchange rate approvals by the President as follows:

- | | |
|--|--|
| ▪ From 1 st August, 2003
(approval given on 25 th July, 2003) | US\$22 per barrel paid for in Naira at the prevailing CBN foreign exchange rate at the time of settlement. |
| ▪ From October 22, 2003 | Prevailing international market Price with proceeds into the Federation Account calculated on the basis of the prevailing international market price and prevailing rate of exchange |

NNPC paid for the Domestic Crude Oil allocated to it monthly into the Federation Account maintained by the Central Bank of Nigeria. A credit facility of 60days was negotiated by NNPC and approved by the Federal Government as one of the terms of settlement. This facility was granted to enable NNPC collect the sales proceeds from its customers who also have a 30-day credit facility which is a normal global business practice. This term was further extended to 90days with effect from October 2003 following the mounting liquidity problem experienced by NNPC as a result of the global increase in Crude Oil price.

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The approved Domestic Crude Oil prices and the exchange rates applicable in the period under audit are as follows:

SCHEDULE OF APPROVED PRICES FOR DOMESTIC CRUDE SUPPLY
(1999-2004)

Year	Months		Approved Exchange Rate	Approved Price (\$/bb)	Product Equivalent per bb (in litres)	Remark
	From	To				
1999	Jan	Dec	85.00	9.50	159	=N= 5.00 per litre of product output
2000	Jan	May	85.00	9.50	159	=N= 5.00 per litre of product output
2000	June	Dec	100.00	9.50	159	=N= 5.97 per litre of product output
2001	Jan	Dec	100.00	9.50	159	=N= 5.97 per litre of product output
2002	Jan	Dec	110.00	18.00	N/A	
2003	Jan	July	110.00	18.00	N/A	
2003	Aug	21st Oct	128.00	22.00	N/A	
2003	22nd Oct	Date	CBN rate at time of settlement	Prevailing Int'l Market Price	N/A	
2004	Jan	Dec	CBN rate at time of settlement	Prevailing Int'l Market Price	N/A	

The approved Domestic crude oil prices and exchange rate set out above have been used to price Domestic Crude supplied to NNPC. Exchange rates set out above have been used to convert the Naira paid into the Federation Account to Dollars for the purpose of reporting.

5.5.4 Domestic Crude Value Reconciliation

We obtained a schedule of Domestic crude transaction from NNPC FAD which showed significant differences between the schedules we prepared using the above parameters. An extensive reconciliation was carried out on the data set out in our schedule and that of NNPC – FAD

The work carried out to reconcile this difference was:

- i. We extracted the lodgements and payments from the CBN/NNPC Crude Oil and Gas Bank Statements and prepared a Control Account to ensure that all payments swept to the Federation Account have been extracted.
- ii. We compared our extracts with the NNPC Group Treasury summary of payments for Crude cost and noted the difference for the auditee attention
- iii. We traced the NNPC mandate on Crude payments to the NNPC/CBN crude Oil Bank Statements. We confirmed the payments to the Federation Account.
- iv. We verified Dollar payments to
 - NNPC/CBN Bank Statements if monetized; and
 - Federation Account Bank Statement if paid directly or together with exported crude
- v. We compared payments swept to the Federation Account obtained from our audit with NNPC Treasury payments for each month
- vi. Differences obtained were investigated and reconciliation statements prepared for each year

On the basis of the above, control accounts were prepared and closing balance of debtors ascertained for each year.

Our initial review gave a variance of the control account balance and the ending balance due to the Federation Account per NNPC Final Account as set out below:

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	Per NNPC FAD N'000	Per NEITI N'000
Total Purchases of Crude	1,804,117,917	1,804,117,918
Less Total Payments to Fed. Acct	<u>1,523,406,702</u>	<u>1,525,884,692</u>
Ending Balance due to Fed. Acct	280,711,215	278,233,226
Ending Balance due to Fed. Acct Per final account	<u>280,134,498</u>	<u>280,134,498</u>
Difference	<u>576,717</u>	<u>1,902,272</u>

Following the NEITI report showing a difference of N1.902 billion difference the President directed that this difference be fully reconciled. In compliance with the Presidential directive NNPC FAD prepared a revised control account which is set out in section 5.5.5A while the NEITI revised control account is set out in 5.5.5B.

The following issues were identified as creating the differences between our debtor control and that of NNPC – FAD in the revised work.

- a) NNPC Group Treasury used lodgments into the NNPC/CBN Crude Oil & Gas Bank Account instead of the actual amount swept per mandate to Federation Account as payments made by NNPC on crude purchase.
 NNPC explained that Lodgements by NNPC into the CBN/Crude Oil & Gas Revenue Account represent payments for Crude purchases by NNPC. Other lodgements for purchase of Gas, sale of obsolete JV Materials, Ullage, etc. are also made into the same account with CBN by parties other than NNPC, the aggregate of which constitute the mandate.
- b) We could not obtain NNPC mandates for the years 1999 to 2002 to CBN for the sweeping of Domestic Crude payments to the Federation Account.
 NNPC explained that during the period 1999 – Aug. 2002, both accounts with BIS (Bank for Int'l Settlements) and the Naira counterparts were completely under and managed solely by the CBN. NNPC began to issue mandates to CBN for transfers to the Federation Account and JV Cash Calls with effect from August 2002 following the opening of the Oil & Gas Revenue Accounts with the CBN (i.e. Domiciliary Account – JP Morgan Chase and Naira Account – CBN respectively).
- c) Payments are made from two main sources to the Federation Account
 - From CBN/NNPC Oil & Gas Revenue (Dollar Account)
 - From CBN/NNPC Oil & Gas Revenue (Naira Account)
 The reconciliation was complicated by the use of CBN AFEM (Autonomous Foreign Exchange Market) Account for monetization and sweeping to the Federation Account by CBN.
- d) NNPC's mandates were not in some cases used by CBN in sweeping NNPC payments to the Federation Account. However, differences were subsequently swept to the Federation Account either with supplementary mandates where there is a shortfall in the amount swept or deducted from subsequent mandates where amount transferred is in excess of mandates.

5.5.6 Observations and Recommendation

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5.5.61 Observations

- 1) Our audit showed that whereas NNPC-NAPIMS Ledger accounts in Lagos contains the Crude sales ledger and control accounts, the account is updated by an NNPC-COMD official resident in Abuja on a monthly basis. The related debtors ledger should be updated in such a way as to fully support NNPC COMD credit control effort.
- 2) There are remarkable differences in the monthly payments of domestic crude made by NNPC Treasury and the actual amount received into the Federation Account. These differences which form part of our reconciliation is set analysed in section 5.5.5C
- 3) There is need for NNPC to improve upon her accounting systems relating to domestic crude Sales/Purchases and Payment so as to be able to give an incontrovertible outstanding balance at any given date.
- 4) A comparison of Domestic Crude export and refinery supply Volume as per Domestic Crude Sales analysis to the Physical Volume reconciliation showed the difference set out below:

Year	Domestic Crude Analysis Of Sales BBLs	Physical Volume Reconciliation BBLs	Difference BBLs	Explanation
1999	98,447,205	98,447,241	36	
2000	108,777,558	108,777,554	4	
2001	143,432,249	143,432,249	0	
2002	163,610,046	163,610,491	(445)	COMD data entry error
2003	157,454,054	157,465,064	(11,010)	COMD data entry error
2004	151,892,709	151,892,709	0	

Differences between the Domestic Crude Analysis of sales and the physical volume reconciliation are accounted for by typographical errors in COMD data entry which are not material.

We have audited and confirmed that the volume used in the Debtors Control reconciliation were the volumes invoiced, paid for and swept to the Federation Account

- 5) We observed that NNPC mandated to CBN for payment of Domestic crude include payments for;
 - Tax paid on Domestic Crude,
 - Payment of share of equity gas and ullage revenue, and
 - Payment of miscellaneous receipt from sale of JV Junk materials.

All the above were swept together with Domestic Crude payment without segregation. Considerable audit time was spent in segregating these payments.

- 6) We observed that January 2001 funds swept by CBN was stated as N873,857,000 instead of N8,738,857,000 giving a difference of N7,865,000. This error has been corrected in this report.
- 7) In order to establish the financial flows into the Federation Account from Domestic Crude Oil allocated to NNPC, we had to carry out an extensive reconciliation using different documents.

5.5.62 Recommendations

We recommend that:

- NNPC COMD should maintain a ledger in Abuja to track crude debtors both export and domestic. Debts not settled according to credit terms should be rigorously chased for settlement
- Whilst recognizing the existing reconciliation carried out in support of the FAAC meetings, NNPC COMD, NNPC FAD and CBN should also carry out a comprehensive reconciliation of the Federation Account proceeds from export and domestic crude on a monthly basis and adequately document the details of this reconciliations in respect of:
 - Domestic Crude Oil
 - Tax paid on Domestic Crude (if any)
 - Equity Gas Revenue and ullage income
 - Miscellaneous receipts such as sale of JV Junk materials
- NNPC FAD should endeavour to ensure that all payments made into CBN/NNPC Oil and Gas Account are swept to the Federation Account in accordance with NNPC mandates.
- The method of sweeping funds for the settlement of Domestic crude debts from the various NNPC bank accounts should be streamlined and be consistently applied.
- NNPC should extend their monthly reconciliation to cover the adherence to mandates issued for transfer of funds to the Federation Accounts by CBN. Differences arising from the reconciliations should be documented and resolved between the two entities and agreement letters issued to that effect.
- Whilst the reconciliations are not part of the routine reconciliations that NNPC carries out, it is considered important that these reconciliations should be carried out on a monthly basis in order to inject transparency into funds flowing from Domestic Crude into the Federation Account.

This reconciliation will enable all parties involved in Domestic Crude Oil purchase and payment to accurately establish the transactions thereon including outstanding debts

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**5.5.5A RECONCILIATION OF DOMESTIC CRUDE OIL PURCHASES FROM AND
PAYMENTS TO THE FEDERATION ACCOUNT AND DETERMINATION OF OUTSTANDING BALANCE
FOR JANUARY 1999 TO DECEMBER 2004 (NNPC FAD REPORT)**

	1999	2000	2001	2002	2003	2004
	N'000	N'000	N'000	N'000	N'000	N'000
Opening balance	-	32,633,558	36,665,880	37,851,630	65,566,104	93,924,603
Add: Purchases of Crude	78,300,696	96,272,286	135,249,012	323,947,891	409,753,329	759,693,335
	78,300,696	128,905,844	171,914,892	361,799,521	475,319,433	853,617,938
Less: Payment to Federation Account	(45,667,138)	(92,239,964)	(134,063,262)	(296,233,417)	(381,394,830)	(573,483,339)
Closing Balance due to Federation Account	32,633,558	36,665,880	37,851,630	65,566,104	93,924,603	280,134,599

Statement of Outstanding Payments

September 2004 Lifting	72,083,223
October 2004 Lifting	79,704,702
November 2004 Lifting	56,034,632
December 2004 Lifting	72,312,042
	280,134,599

Crude Sales US\$	921,185	962,723	1,352,490	2,944,980	3,725,030	5,935,104
Exchange rate applied N:\$	85	100	100	110	110	128

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**5.5.5B RECONCILIATION OF DOMESTIC CRUDE OIL PURCHASES FROM AND
PAYMENTS TO THE FEDERATION ACCOUNT AND DETERMINATION OF OUTSTANDING BALANCE
FOR JANUARY 1999 TO DECEMBER 2004 (AFTER AUDIT VALIDATION REVIEW)**

DOMESTIC CRUDE CONTROL IN NAIRA

	1999 N'000	2000 N'000	2001 N'000	2002 N'000	2003 N'000	2004 N'000
Opening Balance	-	37,267,647	51,129,528	58,170,130	106,815,982	161,905,300
Add: Purchases of Crude	78,265,527	96,272,282	136,150,193	323,947,891	409,753,329	759,693,335
	<u>78,265,527</u>	<u>133,539,929</u>	<u>187,279,721</u>	<u>382,118,021</u>	<u>516,569,311</u>	<u>921,598,635</u>
Less: Payments	(40,997,880)	(82,410,401)	(129,109,591)	(275,302,039)	(354,664,011)	(639,908,172)
Closing Balance	<u>37,267,647</u>	<u>51,129,528</u>	<u>58,170,130</u>	<u>106,815,982</u>	<u>161,905,300</u>	<u>281,690,463</u>
Bal. per revised NNPC Debtors list						<u>(280,134,599)</u>
Balance						<u>1,555,864</u>

NOTES:-

(i) US \$ VALUE

	=N=:\$	85	100	100	110	110	128
(i) Crude Sales		920,771	962,723	1,361,501	2,944,,981	3,725,030	5,935,104
(ii) Crude proceeds funds flow		482,328	824,104	1,291,095	2,502,746	3,224,219	4,999,283

(ii) Difference still under reconciliation.

Included in the above difference of ~~N~~1.556 Billion is a difference of ~~N~~901.368 Million representing 949,380 bbls which was duly invoiced in October 2001 and fully paid for in December 2001. In spite of the payment for this crude in December 2001, this value still remains as an outstanding difference at 31 December, 2004, suggesting the need for further reconciliation work to resolve the difference it represents.

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5.5.5C RECONCILIATION OF NNPC AND NEITI CRUDE SALES ACCOUNT BALANCES

	PER NEITI N'000	PER NNPC N'000
Closing balance as at Dec 31, 2004	281,690,463	280,134,599
Timing Difference	-	-
	<u>281,690,463</u>	<u>280,134,599</u>
<u>Other Factors</u>		
Dec 1999 overstated invoice		(35,168)
Oct 2001 understated invoice value		901,368
Dec 2001 overstated invoice value		(188)
Shortfall in Jan. 2003 sweeping		80,000
Shortfall in Nov. 2004 sweeping		609,752
April 2004 error	(100)	
	<u><u>281,690,363</u></u>	<u><u>281,690,363</u></u>

The above reconciliation shows that a total sum of N734,642,000 deemed to have been paid by NNPC was not swept from CBN/NNPC Oil and Gas Account to the Federation Account as at Dec.31 2004.

The Statement of outstanding payments of NNPC FAD report (Appendix 5.5.5A) as at December is therefore restated to reflect reconciling items in appendix 5.5.5D below.

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5.5.5D STATEMENT OF OUTSTANDING PAYMENTS AS AT DECEMBER 31, 2004

	N'000	N'000
Outstanding liftings		
September 2004	72,083,223	
October 2004	79,704,702	
November 2004	56,034,632	
December 2004	<u>72,312,042</u>	
		280,134,599
Net arrears arising from underpayments of invoice values by FAD		<u>866,012</u>
		281,000,611
Amount in dispute with CBN:		
Shortfall in Jan. 2003 sweeping	80,000	
Shortfall in Nov. 2004 sweeping	<u>285,000</u>	365,000
Shortfall in Nov 2004 due to under sweeping of NNPC mandate by CBN		<u>324,752</u>
		<u><u>281,690,363</u></u>

NOTE:

1. The November, 2004 shortfall of N285 million outstanding is in dispute with CBN as a result of discriminatory exchange rate applied in monetization.
2. The shortfall of N324.752 million was swept to CBN in year, 2005.
3. The shortfall of N80 million is yet to be swept to the Federation Account.
4. The net arrears arising from outstanding balances are summarized as follows

	N'000
Underpayment of invoices as at 31/12/99	24,537,785
Overpayment of invoices as at 31/12/00	(10,919,383)
Overpayment of invoices as at 31/12/01	(2,072,462)
Underpayment of invoices as at 31/12/02	98,000
Overpayment of invoices as at 31/12/03	(10,787,932)
Underpayment of invoices as at 31/12/04	10,000

	866,008

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5.5.5E RECONCILIATION OF NNPC-FAD DOMESTIC CRUDE PAYMENTS AND PAYMENTS SWEPT TO FEDERATION ACCOUNT

We have concluded the revision of our validated report with additional records and information provided by NNPC. These are reconciled on yearly basis as shown below:

RECONCILIATION OF PAYMENT MADE BY NNPC AND AMOUNT SWEPT TO FEDERATION ACCOUNT- 1999

Month	Note	Swept by CBN to Federation Account N'000	NNPC Group Treasury N'000	Variance N'000	Note
January		-	-	-	
February		-	-	-	
March		3,960,000	3,960,000	-	
April		3,952,022	3,952,022	-	
May		4,413,708	4,413,708	-	
June		5,283,856	5,283,856	-	
July		4,183,515	4,183,515	-	
August		4,541,682	4,541,682	-	
September		4,526,097	4,526,097	-	
October	A	-	5,266,000	(5,266,000)	A
November	B	10,137,000	4,871,000	5,266,000	B
December	C	-	4,669,258	(4,669,258)	C
Sub Total		40,997,880	45,667,138	(4,669,258)	
CAUSES OF DIFFERENCE					
<u>1. Timing Difference</u>					
* October 1999 payment swept in Nov 1999			(5,266,000)		A
* November 1999 sweeping of Oct 1999 payments into Fed., Account			5,266,000		B
* Dec 1999 payments swept in Jan 2000			(4,669,258)		C
CASH BASIS TOTALS		40,997,880	40,997,880		

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RECONCILIATION OF PAYMENT MADE BY NNPC AND AMOUNT SWEPT TO FEDERATION ACCOUNT- 2000

Month	Note	Swept by CBN to Federation Account N'000	NNPC Group Treasury N'000	Variance N'000	Note
January		8,814,863	4,145,605	4,669,258	A
February		3,915,000	3,915,000	-	
March		7,449,905	7,449,905	-	
April		8,374,000	8,374,000	-	
May		7,400,000	7,400,000	-	
June		7,205,000	7,205,000	-	
July		7,036,404	7,036,404	-	
August		6,202,589	6,202,589	-	
September		5,048,522	5,048,522	-	
October	A	12,507,214	12,507,214	-	
November	B	8,456,905	8,456,905	-	
December	C	-	14,498,820	(14,498,820)	B
Sub Total		82,410,402	92,239,964	(9,829,562)	

CAUSES OF DIFFERENCE

1. Timing Difference

* December 1999 payment swept
into Federation account

4,669,258 **A**

* December 2000 payment swept
to Federation Account in Jan 2001

(14,498,820) **B**

CASH BASIS TOTALS

82,410,402 82,410,402

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RECONCILIATION OF PAYMENT MADE BY NNPC AND AMOUNT SWEPT TO FEDERATION ACCOUNT- 2001

Month	Note	Swept by CBN to Federation Account N'000	NNPC Group Treasury N'000	Variance N'000	Note
January		23,237,677	8,738,857	14,498,820	A
February		14,273,449	14,273,449	-	
March		7,174,650	7,174,650	-	
April		8,000,000	9,434,145	(1,434,145)	B
May		9,663,978	9,786,571	(122,593)	C
June		15,599,836	13,947,604	1,652,232	D
July		13,316,112	14,816,112	(1,500,000)	E
August		10,222,126	8,722,126	1,500,000	F
September		11,835,591	11,835,591	-	
October		15,881,665	15,881,666	(1)	G
November		-	8,497,331	(8,497,331)	H
December		-	10,955,159	(10,955,159)	I
Sub Total		129,205,084	134,063,261	(4,858,177)	

CAUSES OF DIFFERENCE

1. Timing Difference

* December 2000 mandate swept by CBN in Jan 2001	14,498,820	A
* November 2001 mandate swept by CBN in Jan 2002	(8,497,331)	H
* Dec 2001 mandate swept in Jan 2002	(10,955,159)	I
* July 2001 mandate swept in August 2001	(1,500,000)	E
* July 2001 mandate received in August 2002	1,500,000	F
CASH BASIS TOTAL	129,205,084	129,109,591

2. Other Factors

- Part of April 2001 mandate swept in June 2001	(1,434,145)	B
- Part of May 2001 mandate swept in June 2001	(122,593)	C
- Part of April and May 2001 mandate swept in June 2001	1,556,738	D
Gas and ullage fees swept in 2001	(95,494)	D
- Rounding error	1	
	129,109,591	129,109,591

Appendix 5-0 Crude Sales - COMD

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: CRUDE OIL SALES REPORT

RECONCILIATION OF PAYMENT MADE BY NNPC AND AMOUNT SWEEPED TO FEDERATION ACCOUNT- 2002

Month	Note	Swept by CBN to Federation Account N'000	NNPC Group Treasury N'000	Variance N'000	Note
January		33,205,154	13,752,664	19,452,490	A
February		13,419,034	13,419,034	-	
March		26,117,671	26,117,671	-	
April		24,897,080	24,897,080	-	
May		23,210,305	26,210,305	(3,000,000)	B
June		18,610,000	17,449,435	1,160,565	C
July		37,943,836	26,104,401	11,839,435	D
August		26,541,274	36,541,275	(10,000,001)	E
September		26,689,219	28,210,656	(1,521,437)	F
October		29,686,211	29,686,211	-	
November		16,671,289	26,136,818	(9,465,529)	G
December		-	27,707,867	(27,707,867)	H
Sub Total		276,991,073	296,233,417	(19,242,344)	

CAUSES OF DIFFERENCE

1. Timing Difference

-Nov and Dec 2001 payment swept in Jan 2002		19,452,490	A
- Dec 2002 payment swept in Jan 2003		(27,707,867)	H
- Part of May 2002 mandate not swept by CBN		(3,000,000)	B
- part of May 2002 mandate sept in June 2002		1,160,565	C
- part of May 2002 mandate swept in June 2002		1,839,435	D
- Excess sweeping of funds by CBN in June 2002		10,000,000	D
- part of Aug mandate not swept by CBN		(10,000,000)	E
CASH BASIS TOTAL	276,991,073	287,978,040	

2. Other Factors

- Sept 2002 share of Ullage Fees	(1,073,861)		F
- Unswept balance paid to Fed., Account in Jan 2003		(1,698,742)	F
- Unswept arrears paid in Jan '2003		(896,556)	F
- Nov 2002 NGC Gas sales	(586,558)		G
- share of sales of Junk Drilling materials	(28,616)		G
- unswept portion swept in Jan '2003		(10,080,703)	G
- Rounding Error	1		
	275,302,039	275,302,039	

Appendix 5-0 Crude Sales - COMD

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: CRUDE OIL SALES REPORT

RECONCILIATION OF PAYMENT MADE BY NNPC AND AMOUNT SWEEPED TO FEDERATION ACCOUNT- 2003

Month	Swept by CBN to Federation Account N'000	NNPC Group Treasury N'000	Variance N'000	Note
January	65,688,338	24,356,911	41,331,427	A
February	30,508,098	30,431,262	76,836	B
March	27,562,535	27,039,687	522,848	C
April	20,430,692	19,299,610	1,131,082	D
May	27,825,757	27,185,221	640,536	E
June	16,378,067	15,862,047	516,020	F
July	26,695,733	26,953,409	(257,676)	G
August	26,174,870	26,125,365	49,505	H
September	32,941,245	31,680,392	1,260,853	I
October	42,739,752	43,307,437	(567,685)	J
November	44,140,665	42,128,803	2,011,862	K
December	-	67,024,685	(67,024,685)	L
Sub Total	361,085,752	381,394,829	(20,309,077)	

CAUSES OF DIFFERENCE

1. Timing Difference

- Balance of Sept 2002 transfer	1,698,742			
- Balance of Nov 2002 transfer	10,080,702			
- Dec 2002 transfer	27,707,867			
- Shortfall relating to prior year	896,556			
- Reversed on 8/8/03	1,000,000			
	<u>41,303,867</u>			
		41,383,867		A
- Dec 2003 payment swept in Jan 2004		(67,024,685)		L
CASH BASIS TOTALS	361,085,752	355,754,011		

2. Other Factors

Shortfall due to Nov, 2002 monetisation		(80,000)		A
- Jan 2003 share of NGC gas sales		(27,560)		A
- Feb 2003 share of NGC gas sales		(76,836)		B
- Mar 2003 share of sales of Junk	(533,334)			
- Amount not swept by CBN	<u>10,486</u>			
	<u>(522,848)</u>	(522,848)		C
- Apr 2003 share of Gas ullages fees		(1,131,082)		D
- May 2003 share of Equity Gas Rev	(61,478)			
- share of terminal income	<u>(568,573)</u>			
	<u>(630,051)</u>			
- Mar 2003 unswept amount now swept to Fed., Account	<u>(10,486)</u>			
	<u>(640,537)</u>	(640,537)		E
- June 2003 Gas Ullage/terminal income	(488,240)			
- Share of quity gas revenue	<u>(27,780)</u>			
	<u>(516,020)</u>	(516,020)		F
July 2003				
- Share of Jan-May 2002 gas sales	(78,245)			
- Share of misc. income - Chevron	(128,820)			
- Terminalling income NAOC	(486,960)			
- share of NGC gas sales	<u>(48,298)</u>			
	<u>(742,323)</u>	(742,323)		

Appendix 5-0 Crude Sales - COMD

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: CRUDE OIL SALES REPORT

- Reversal of N1 billion wrong credit on 15/1/03	<u>1,000,000</u>		(1,000,000)	
	<u>257,677</u>			G
August 2003				
- Share of NGC Gas sales		(49,504)		H
September 2003				
- Share of misc income	(21,768)			
- Gas Ullage	<u>(1,239,088)</u>			
	<u>(1,260,856)</u>	(1,260,856)		I
October 2003				
- NGC Gas sales	(75,184)			
- Share of Misc Income	<u>(475,431)</u>			
	(550,615)	(550,615)		
- Unswept balance of oct mandate	1,108,300		(1,108,300)	
Shortfall in sweeping by CBN	<u>10,000</u>		(10,000)	
	<u>567,685</u>			J
November 2003				
- NGC Gas Sales	(57,480)			
- Share of equity gas - NGC	<u>(846,082)</u>			
	(903,562)	(903,562)		
- sweeping of Oct balance into CBN	<u>(1,108,300)</u>		1,108,300	
	<u>(2,011,862)</u>			K
-Rounding Error		2		
		354,664,011	354,664,011	

Appendix 5-0 Crude Sales - COMD

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: CRUDE OIL SALES REPORT

RECONCILIATION OF PAYMENT MADE BY NNPC AND AMOUNT SWEPT TO FEDERATION ACCOUNT- 2004

Month	Swept by CBN to Federation Account N'000	NNPC Group Treasury N'000	Variance N'000	Note
January	119,661,379	53,045,948	66,615,431	A
February	40,913,842	40,888,655	25,187	B
March	55,997,987	55,233,534	764,453	C
April	42,453,235	42,383,558	69,677	D
May	68,345,180	68,345,180	-	
June	57,601,557	57,525,010	76,547	E
July	65,639,448	64,749,530	889,918	F
August	39,085,449	60,169,578	(21,084,129)	G
September	22,208,694	-	22,208,694	H
October	59,196,265	58,845,104	351,161	I
November	71,956,464	72,297,242	(340,778)	J
December	-	-	-	
Sub Total	643,059,500	573,483,339	69,576,161	

CAUSES OF DIFFERENCE

1. Timing Difference

- Prior year (Dec 2003) swept by CBN		67,024,685	A
- unswept difference	409,254		A
CASH BASIS TOTAL	643,468,754	640,508,024	

2. Other Factors

- NNPC share of equity gas revenue in Feb 2004	(18,681)		B
- Payment from Pan Ocean oil on 10/02/04	(6,506)		B
March 2004			
- Share of Misc Income	(57,294)		C
- Share of Gas Ullage	(697,159)		C
- Overpayment in 2003 (set off)		10,000	C
April 2004			
- Share of equity Gas revenue	(69,102)		D
- Share of sale of junk material- Mobil	(675)		D
- Arithmetical Error		(100)	D
June 2004			
- Share of equity gas reserve	(76,547)		E
July 2004			
- Share of Gas Ullage Fee - SPDC	(889,918)		F

Appendix 5-0 Crude Sales - COMD

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: CRUDE OIL SALES REPORT

August 2004				
- NNPC Aug., mandate paid in Sept		(21,084,129)		G
September 2004				
- August mandate paid in September		21,084,129		H
OSO LPG Gas payment				
August	(148,245)			H
September	(432,494)			H
Additional sweeping by CBN	(543,827)			H
October 2004				
- Share of equity gas revenue	(36,962)			I
- share of butane lifted	(53,010)			I
- Share of miscellaneous income -CNL	(217,408)			I
- share of investment income - CNL	(13,705)			I
- share of junk material - mobil	(30,076)			I
November 2004				
- Shortfall in Oct payment on monetisation NNPC translation				J
Share of equity gas revenue	- 268,974	(268,974)		
Shortfall of Oct payment on monetisation	609,752		(609,752)	J
	<u>340,778</u>			
-Rounding error		1		
		639,908,172	639,908,172	

**NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: CRUDE OIL SALES REPORT**

Domestic Crude Sales and Receipts				
Domestic Crude Analysis of Sales - 1999				
Month of Allocation	Volume in bbls	Sales/Invoice value N'000	Payment into the Federation Account	
			N'000	US\$'000 Equivalent
January	7,779,607	6,184,788	-	-
February	4,395,096	3,494,101	-	-
March	10,688,804	8,497,599	3,960,000	46,588
April	9,231,498	7,339,041	3,952,022	46,494
May	8,861,901	7,045,211	4,413,708	51,926
June	8,526,874	6,778,865	5,283,856	62,163
July	8,439,678	6,709,544	4,183,515	49,218
August	8,455,757	6,722,326	4,541,682	53,432
September	7,043,957	5,599,946	4,526,097	53,248
October	7,704,467	6,125,051	5,266,000	61,953
November	7,967,002	6,333,767	4,871,000	57,306
December	9,352,564	7,435,288	4,669,258	54,932
Total	98,447,205	78,265,527	45,667,138	537,260
Note:				
1. Crude Cost @ =N=5/Ltr				
2. 159Ltrs = 1bbl				
3. Crude Liftings are paid for two months in arrears				

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: CRUDE OIL SALES REPORT

Domestic Crude Analysis of Sales - 2001				
Month of Allocation	Volume in bbls	Sales/Invoice value N'000	Payment into the Federation Account	
			N'000	US\$'000 Equivalent
January	7,558,390	7,174,651	8,738,857	87,389
February	9,938,735	9,434,145	14,273,449	142,734
March	10,310,010	9,786,571	7,174,651	71,747
April	12,059,884	11,447,604	9,434,145	94,341
May	12,974,845	12,316,112	9,786,571	97,866
June	9,188,633	8,722,126	13,947,604	139,476
July	12,541,078	11,904,368	14,816,112	148,161
August	14,097,390	13,381,666	8,722,126	87,221
September	14,597,391	13,856,281	11,835,591	118,356
October	11,541,101	10,955,159	15,881,666	158,817
November	14,488,232	13,752,664	8,497,331	84,973
December	14,136,560	13,418,846	10,955,159	109,552
Total	143,432,249	136,150,193	134,063,262	1,340,633
Note:				
1. Crude Cost @ =N=5.97/Ltr				
2. 159Ltrs = 1bbl				
3. Crude Liftings are paid for two months in arrears				

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: CRUDE OIL SALES REPORT

Domestic Crude Analysis of Sales - 2002				
Month of Allocation	Volume in bbls	Sales/Invoice value N'000	Payment into the Federation Account N'000	US\$'000 Equivalent
January	13,190,743	26,117,671	13,752,664	125,024
February	12,574,283	24,897,080	13,419,034	121,991
March	13,237,528	26,210,306	26,117,671	237,433
April	13,863,351	27,449,435	24,897,080	226,337
May	13,636,847	27,000,957	26,210,306	238,276
June	13,404,684	26,541,274	17,449,435	158,631
July	13,795,000	27,314,100	26,104,401	237,313
August	14,993,036	29,686,211	36,541,274	332,193
September	13,200,413	26,136,818	25,712,858	233,753
October	14,043,367	27,805,867	32,184,009	292,582
November	13,249,314	26,233,642	26,136,818	237,607
December	14,421,480	28,554,530	27,707,867	251,890
Total	163,610,046	323,947,891	296,233,417	2,693,031
Note:				
1. Crude Cost @ \$18/bbl				
2. \$1=N110				
3. Crude Liftings are paid for two months in arrears				

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: CRUDE OIL SALES REPORT

Domestic Crude Analysis of Sales - 2003				
Month of Allocation	Volume in bbls	Sales/Invoice value N'000	Payment into the Federation Account N'000	US\$'000 Equivalent
January	13,651,112	27,029,202	24,356,911	221,426
February	9,747,278	19,299,610	30,431,262	276,648
March	13,735,205	27,195,706	27,039,687	245,815
April	8,011,135	15,862,047	19,299,610	175,451
May	13,612,833	26,953,409	27,185,221	247,138
June	13,194,629	26,125,366	15,862,047	144,200
July	10,556,798	20,902,460	26,953,409	245,031
August	14,981,938	42,189,138	26,125,365	204,104
September	15,354,085	43,237,103	31,680,392	247,503
October	21,515,567	67,024,685	43,307,438	338,339
November	13,286,492	53,045,948	42,128,803	329,131
December	9,806,992	40,888,655	67,024,685	523,630
Total	157,454,064	409,753,329	381,394,830	3,198,419
Note:				
1. Crude Cost @ \$18/bbl				
2. \$1=N110				
3. Crude cost @\$22/bbl effective August 2003				
4. \$=N128 effective August 2003				
5. Crude Liftings are paid for two months in arrears				
6. International market price effective October 2003				

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: CRUDE OIL SALES REPORT

Domestic Crude Analysis of Sales - 2004				
Month of Allocation	Volume in bbls	Sales/Invoice value N'000	Payment into the Federation Account N'000	US\$'000 Equivalent
January	13,076,506	55,243,534	53,045,948	398,842
February	10,095,303	42,383,558	40,888,655	307,433
March	15,448,319	68,345,180	55,233,534	415,290
April	12,830,829	57,525,010	42,383,558	318,673
May	13,168,564	64,749,530	68,345,180	513,874
June	12,997,456	60,169,577	57,525,010	432,519
July	11,548,992	59,169,857	64,749,530	486,839
August	12,972,180	71,972,489	60,169,577	452,403
September	12,342,319	72,083,223	58,845,104	442,444
October	12,818,554	79,704,702	-	-
November	10,505,188	56,034,632	72,297,242	543,588
December	14,088,499	72,312,043	-	-
Total	151,892,709	759,693,335	573,483,339	4,311,905
Note:				
1. Crude Liftings are paid for two months in arrears				
2. International market price effective October 2003				

Reconciliation of Domestic Crude Volume per Sales Analysis to Physical Reconciliation Volumes

Year	Domestic Crude Analysis Of Sales BBLs	Physical Volume Reconciliation BBLs	Difference BBLs	Explanation
1999	98,447,205	98,447,241	36	
2000	108,777,558	108,777,554	4	
2001	143,432,249	143,432,249	0	
2002	163,610,046	163,610,491	(445)	COMD data entry error
2003	157,454,054	157,465,064	(11,010)	COMD data entry error
2004	151,892,709	151,892,709	0	

**NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: CRUDE OIL SALES REPORT**

We have audited and confirmed that the volume used in the Debtors Control reconciliation were the volumes invoiced, paid for and swept to the Federation Account. The above differences are summarized as follows:

1999	BBLS	BBLS	REMARK
April lifting stated by COMD as	9,231,498		
Instead of	<u>9,231,534</u>		
Difference of	<u>36</u>	(36)	COMD Stock Loss
2000	BBLS	BBLS	REMARK
NNPC Group Accounts December			
Date entry of	9,336,465		
Instead of COMD/Physical reconciliation			
Data	<u>9,336,461</u>		
Difference of	<u>4</u>	<u>4</u>	COMD Stock overage
2002	BBLS	BBLS	
NNPC COMD erroneous total figure of	163,610,491		
Instead of	<u>163,610,046</u>		
	<u>445</u>	<u>445</u>	Data entry error
2003	BBLS	BBLS	REMARKS
COMD September data entry error of	12,853,473		
Instead of	<u>12,852,473</u>		
	<u>1,000</u>	1,000	Data entry error
COMD October data entry of	17,753,258		
Instead of	<u>17,743,258</u>		
	<u>10,000</u>	<u>10,000</u>	Data entry error
Total Difference		<u>11,000</u>	